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United Nations reform: measures and proposals

Utilization of the Development Account**Report of the Advisory Committee on Administrative and Budgetary Questions**

1. The Advisory Committee on Administrative and Budgetary Questions has considered the note by the Secretary-General on the utilization of the Development Account (A/52/848). The note was prepared in response to the request by the General Assembly in paragraph 24 of its resolution 52/12 B of 19 December 1997 that the Secretary-General submit a detailed report by the end of March 1998 identifying the sustainability of the initiative, as well as the modalities of implementation, the specific purposes and associated performance criteria for the use of such resources. During its consideration of the report, the Advisory Committee met with the representative of the Secretary-General.

2. The Advisory Committee points out that a detailed report on the subject has not been prepared; the note of the Secretary-General does not respond fully to the requirements of resolution 52/12 B. Most importantly, sections III and IV of the note, which deal with programme objectives and direction and principles governing utilization/performance criteria, are mere outlines, which present in general the same information available in the report of the Secretary-General of 31 October 1997 entitled "Creating a dividend for development" (A/51/950/Add.5).

3. The sustainability of the initiative is described in paragraph 4 of the Secretary-General's note. The underlying assumption for the creation of the Development Account is that any savings in resources arising from productivity gains would be reallocated to the Development Account. In its

report of 27 February 1998 on non-programme costs (A/52/7/Add.10), the Advisory Committee has indicated that it is important to bear in mind that, consistent with paragraph 24 of resolution 52/12 B, the transfer of resources associated with productivity gains into the Development Account is not a budget reduction exercise but one of redeployment and that the total budgetary amount and related assessments would remain the same both before and after the redeployment. The Committee also recommended that proposals related to efficiency measures form a distinct part of the performance report and be treated separately from information on changes related to currency fluctuation and inflation. In that connection, it will be essential for the performance report to identify clearly savings resulting from efficiency measures so as to enable the General Assembly to take the necessary decision to redeploy those savings to the Development Account. The Committee has also pointed out in its report of 27 February 1998 (A/52/7/Add.10) that savings from currency fluctuations and the effects of inflation would not be available for transfer to the Development Account, nor would losses result in a reduction of amounts otherwise available through efficiency savings.

4. The Advisory Committee notes that in paragraph 4 of the Secretary-General's note it is indicated that the transfer of resources associated with productivity gains to the Development Account would reflect a "redemption of productivity gains in the administrative areas to the Development Account". The Committee sought clarification



as to what "administrative areas" meant in that context. The Committee was informed that consistent with its recommendation in its report of 27 February 1998 (*ibid.*), the streamlining and simplification of processes and procedures were now expected to take place not only in central service departments (e.g., the Department of Management), where a large proportion of administrative costs were incurred, but across the entire Organization. The Committee points out that real productivity gains should not be the result of a cost avoidance or postponement exercise. On previous occasions, the Committee has indicated that a true saving from the introduction of efficiency measures is achieved if costs are reduced while the level and quality of services is maintained or further improved.¹

5. The Advisory Committee has also indicated previously that efforts to simplify and streamline systems and procedures should continue to be pursued, as these will have a positive impact on the efficiency of all the activities of the Secretariat. They may also lead to economies in all sections of the programme budget, in particular if the efficiency measures are accompanied by enhancements to the Organization's computer-based information systems, as well as frequent and intensive staff training. Moreover, the Committee has indicated that all programme managers should be given the responsibility to increase efficiency in their respective area and such initiatives should cover not only departments and offices at Headquarters, but also regional commissions and field offices (see A/52/7/Add.10, paras. 14 and 20).

6. In paragraph 4 of the Secretary-General's note, it is indicated that "each proposed programme budget will include ... the amount approved for the Development Account in the previous programme budget, supplemented by any additional productivity gains achieved during the prior biennium together with any further prospective productivity gains anticipated in the forthcoming biennium". This is contrary to the intention already stated in the same paragraph that "once a productivity gain has been identified and achieved, approval by the General Assembly will be sought for the transfer of the associated resources into that Account". In that connection, the Advisory Committee recalls that it has stressed that in order to avoid the confusion that has characterized previous exercises (some of which are described in the first report of the Advisory Committee on the proposed programme budget for the biennium 1998-1999²), the actual results of efficiency initiatives should be indicated to the satisfaction of the Assembly before the related savings could be approved for redeployment.

7. The Advisory Committee notes that the Secretary-General still maintains as a target the transfer over time of

\$200 million from other sections of the budget to the Development Account (A/52/848, para. 4). Upon enquiry, the Committee was informed that the intention of the Secretary-General was to reach that amount by the end of the biennium 2002-2003. The Committee recalls that it commented on the matter in paragraphs 8 and 9 of its report of 5 December 1997 (A/52/7/Add.2). It suffices to stress again that the target appears to be overambitious. It has not yet been demonstrated that administrative expenditures constitute 38 per cent of the programme budget, nor has it been shown that a one-third reduction in administrative expenditure will yield cumulative savings of some \$200 million by the biennium 2002-2003 as indicated by the Secretary-General in his previous report on the subject (A/52/758). Moreover, the current financial situation of the Organization also presents a serious problem for this exercise, especially when the Secretariat is being called upon increasingly to absorb the costs of new mandates that arise during the course of the biennium.

8. As for modalities of implementation, it is indicated in paragraph 7 of the Secretary-General's note that the Development Account is part of the regular budget of the United Nations and the same modalities and procedures that govern the regular budget will govern the Development Account. The Secretary-General proposes that funds appropriated for the account be treated as a multi-year project. The Advisory Committee recommends that any balance of appropriation be transferred to a special account at the end of the biennium, so that the funds will be available in succeeding bienniums. The Committee notes that, as indicated in paragraph 12 of the report of the Secretary-General of 31 October 1997 (A/51/950/Add.5), projects would be finite, capable of completion within two bienniums.

9. The Committee notes from paragraph 7 that:

"The Secretary-General will present his proposals for the utilization for the funds in the Development Account for each biennium along with the budget proposals for that biennium. Specific projects would be implemented within the framework of the General Assembly's decision on those proposals."

This is consistent with the observation of the Committee in its report of 27 February 1998 (A/52/7/Add.10) that the Secretariat would have to proceed on the basis of specific proposed initiatives about which Member States would be informed in advance.

10. The Advisory Committee recalls that, for the biennium 1998-1999, the General Assembly in its resolution 52/220 of 22 December 1997 appropriated an amount of

\$13,065,000 for the Development Account under section 34 of the programme budget. The Committee points out that it has not received the report indicated in paragraph 7 of the Secretary-General's note on the proposals for utilization of that amount.

Notes

¹ *Official Records of the General Assembly, Fifty-second Session, Supplement No. 7 (A/52/7), para. 19.*

² *Ibid.*, paras. 13-21.